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Progress with national implementation plans for the System of National Accounts

Plans, priorities and challenges faced in implementing SNA 2008 in Belarus

Prepared by National Statistical Committee of the Republic of Belarus

Summary

The paper provides information on the current status of national accounts in the Republic of Belarus, the main issues and challenges arising during the implementation of the updated System of National Accounts, 2008 (2008 SNA). It focuses in more detail on main areas of work and the progress made in implementing 2008 SNA – estimation of financial intermediation services indirectly measured (FIS!M), implementation of new approaches to include expenditures on R&D and armament systems. The paper also outlines specific directions of further work on improvement of the national accounts of Belarus.

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I. Introduction

A. Current state of national accounts in Belarus

1. The implementation of the System of National Accounts in the statistical practice of Belarus in consistency with all requirements of the international standards began in 1993.

2. The national accounts of the country are currently compiled on the basis of methodological principles of the System of National Accounts 1993 standard (SNA 1993). Out of accounts recommended for the compilation of SNA 1993 in Belarus the following current accounts have been constructed since 1990: the production account, the generation of income account, the primary distribution of income account, the secondary distribution of income account, the redistribution of income in kind account, and the use of disposable income account.

3. All accounts are compiled and published for resident units by five sectors of the economy; transactions between residents and non-residents are reflected in the 'rest of the world' sector. The production account and generation of income account are also compiled by economic activity.

4. Accumulation accounts are represented by the capital account.

5. It should be noted that starting from January 2011 all SNA estimates have been made in a breakdown by economic activity. The Nationwide Classification of Economic Activities (OKED) is compatible with the International Standard Industrial Classification of All Economic Activities (ISIC) at 4-digit level. Moreover, the time series of macroeconomic indicators of production accounts at current and constant prices and of income accounts at current prices have been built backward to 2000.

6. Selected indicators of the System of National Accounts are calculated using the Nationwide Classification of Industrial and Agricultural Products of the Republic of Belarus which is compatible with the Statistical Classification of Products by Activity at 4-digit level.

7. The Classification of Individual Consumption According to Purpose (COICOP) is used in the household survey, and thus for the calculation of household final consumption expenditure.

8. Data on budget spending are classified according to the Classification of the Functions of Government (COFOG).

9. In 2003 we commenced the work on compiling input-output tables in compliance with the methodological principles and standards of the SNA 1993. The system of input-output tables was previously compiled in accordance with the All-Union Classification of Branches of National Economy – by 17 branches of the economy and 14 subindustries; starting from 2011 the tables have been compiled by economic activities in accordance with OKED.

10. Today we compile the following set of tables: the supply and use tables at purchasers' prices; the use table at constant prices; the trade and transport margin tables; the taxes less subsidies on products table; and the imports use table.

11. To analyse regional policies, in October 2008 we started to estimate the gross regional product (GRP); until 2011 GRP was estimated experimentally by production approach, and from 2011 these estimates have been published officialiy. The methodological principles of estimating GRP and its components at the regional level are

similar to the principles of measuring these indicators at the level of the economy as a whole.

B. Priority directions in implementing the SNA 2008 and issues which were not resolved in the process of the implementation of the SNA 1993

12. To introduce the updates SNA 2008 standard, a programme of the SNA 2008 implementation has been elaborated within the framework of the national Strategy for the Development of State Statistics. The national Strategy and the programme of the SNA 2008 implementation specify the main stages such as adaptation of the classification systems, set priorities for the major unresolved issues of the SNA 1993, and outline the principal provisions of the SNA 2008 recommended for implementation.

13. In order to improve the quality of national accounts and to implement successfully the SNA 2008 it is essential that other producers of economic statistics such as the National Bank, the Ministry of Finance and some other ministries and agencies are involved in the process.

14. In August 2013 a working group on the implementation of the main SNA 2008 provision in the statistical practice was set up and approved by the order of Belstat, and an action plan for the SNA 2008 implementation was adopted. The working group consists of the representatives of the Ministry of Economy, Ministry of Finance, National Bank, Ministry of Defense, Ministry of Natural Resources, State Committee on Science and Technology, State Customs Committee as well as the representatives of the Research Institute of Economy of the Ministry of Economy of the Republic of Belarus.

15. The activities of the working group build upon the collaborative interaction between the agencies for resolving methodological issues and data provision in consistency with the SNA 2008.

16. The Strategy for the Development of State Statistics for 2011-2017 the activities planned for the implementation of the main provisions of the SNA 2008 in the statistical practice.

17. As mentioned before, to implement successfully the activities for introducing the SNA 2008 we should bear in mind the current state of the SNA 1993 implementation.

18. At present the following accounts are not compiled in Belarus: the financial account, the other changes in the volume of assets account, the revaluation account, and balance sheets.

19. On the basis of the monetary tables of the National Bank of the Republic of Belarus experimental estimates of domestic and external financing are produced for the economy as a whole and by sectors, but so far these instruments do not allow for the complete verification of current accounts and the capital account.

20. Within the framework of the Strategy for the Development of State Statistics until 2017 we are planning to implement jointly with the National Bank the activities for the integration of the financial account in the system of national accounts.

21. The balance sheets have not been compiled so far because of the lack of the estimated current market value of non-produced assets.

22. The activities for constructing balance sheets have been carried out according to the Plan as specified in the Strategy for the Development of State Statistics until 2017. In 2012, additionally reviewing this issue, we addressed the Ministry of Natural Resources and Environmental Protection, Ministry of Forestry, Ministry of Agriculture and State

Committee on Property of the Republic of Belarus asking about the possibility of receiving the data (in value terms) on the availability of and changes in selected natural resources (land; mineral and energy resources; uncultivated biological resources related to flora and fauna; water resources; and other natural resources). At present these agencies do not have the required data, and various types of natural resources are recorded in physical terms (quantitative and qualitative characteristics) within the framework of balance sheets and cadastres.

23. The State Committee on Property has the information on the cadastre value of land of localities, horticultural societies and dacha cooperatives as of the different dates of its appraisal. Agricultural land of agricultural organisations and individual farm holdings is valued in grades of cadastral valuation, i.e. the monetary value of this type of land is lacking.

24. The Ministry of Finance has also faced difficulties in compiling and disseminating government finance statistics (GFS) for the submission to the International Monetary Fund. It is impossible to reflect the value of state-owned land, natural resources, the value of subsoil resources, minerals, and the market value of other fixed assets of the country.

25. Belstat and the Ministry of Finance jointly prepared a letter asking to consider this issue; respective instructions were given to ministries and agencies responsible for the provision of this information.

26. Fiscal reporting is compiled in the country using classifications which are generally consistent with the Government Finance Statistics Manual (GFSM) 2011.

27. The important difference between the Government Finance Statistics (GFS) and the budgetary accounting of Belarus is related to the principles of transaction evaluation. So, GFS recommends to record transactions on an accrual basis. In our accounting transactions are recorded with a cash method.

28. Data for the government sector are currently not compiled within the budgetary accounting of Belarus. However, in the near term data on public corporations which are the most significant in terms of the mutual transactions with the budget are planned to be included in the GFS for the government sector.

29. Improvement of the preparation and presenting of the GFS data in compliance with the requirements of the international standards will allow for the use of these data in macroeconomic policy-making and compilation of the government sector in national accounts.

30. Within the framework of the Strategy for the Development of State Statistics until 2017 work is carried out to improve the compilation of the System of National Accounts in the country and to gradually implement the main provisions of the SNA 2008.

31. The main areas of the national accounts improvement for Belarus as well as for the majority of the CIS countries are changes affecting the GDP value, structure and growth rates elaborated with the involvement of international organisations.

32. The action plan of the country is aimed at the improvement of the quality of national accounts and implementation of the major changes and revisions of the SNA 2008 which more and more attract the attention of analysts and can be introduced in Belarus.

33. At present, according to the SNA 1993 the financial intermediation services indirectly measured (FISIM) are classified as an individual economic activity and are estimated indirectly as a difference between the interest on credits and other instruments placed by banks to residents and non-residents, and interest paid on deposits and other funds-attracting bank instruments.

34. The SNA 2008 recommends using the methods of FISIM accounting only in relation to loans and deposits and only in that cases when these loans are provided by financial institutions and deposits are placed in financial institutions.

35. As a result of the joint work of the National Bank and Belstat we received the information separately on credits and deposits in national and foreign currency for institutional sectors of the economy in monthly time series.

36. Based on these data, we calculated the basic rate as a ratio of the sum of interest paid out and received to the total volume of credits and deposits for the economy as a whole and for each institutional sector. FISIM was estimated in compliance with the SNA 2008 formula (rL-rr)yL+(rr-rD)*yD[1].

37. The basic rate was estimated taking into account interbank rates, the highest bank rates of deposits, the lowest rates on credit, and rates on long-term government bonds; at the same time the basic rate had to be between the rates on credit and deposits.

38. Using the basic rates for each sector has led to the discrepancy between the sum of FISIMs by sector and the total FISIM calculated at the level of the economy.

39. Within the framework of the activities of the joint working group for the implementation of the SNA 2008 in the statistical practice consultations were held with the specialists of the National Bank, and additional information for adjusting the total volume of credits for the credits extended under credit rates below the market rates was provided.

40. By using the share of residential loans extended to households in the total volume of credit, FISIM has been broken down into final and intermediate consumption. By using the data of financial reports on interest received on deposits and paid out on credits, the intermediate consumption of FISIM has been distributed by industries.

41. At the moment experimental estimates for the years 2011-2012 have already been made and we are now in the process of estimating FISIM for 2013 and distributing it by sectors and economic activities. According to the results of these estimates the value of FISIM has decreased, consequently the GDP for these years will be higher.

42. At present the issue of estimating FISIM at constant prices has to be considered closely.

43. The next most important for the country from the point of view of their impact on the volume and structure of GDP are changes in the treatment of research expenditure and reflecting military expenditure.

44. Even now there is a statistical survey the results of which are used for the compilation of data on the commercialisation of results of scientific and technological activities in compliance with the Frascati Manual, on the sales of research and experimental development services as well as the data on general government sector. The survey covers all sectors which incur R&D expenditure.

45. After reviewing the obtained data on R&D expenditure and after the consultation with a representative of the State Committee on Science and Technology it has become evident that using the information on commercialisation on the basis of data from the statistical survey in the calculation of the SNA estimates is challenging because most research projects are implemented longer than one year, and data on commercialisation are reflected after a project is completely finalised.

[1] rL- credit interest rate; rr – basic rate; rD – deposit interest rate; yL – volume of credits; yD – volume of deposits.

46. We are currently in the process of disaggregating the survey data into three groups – market producers engaged in sales; market producers not engaged in sales (R&D activities are funded by themselves); and general government sector units – and comparing the data, which would allow for measuring the output, intermediate consumption and gross fixed capital formation. As a result, GDP is expected to show an increase.

47. The SNA 2008 recommends to classify weapon systems as fixed assets, and this classification should be based on the same criteria as for other fixed assets, meaning these are produced assets which are used repeatedly or continuously in the process of production for more than one year.

48. Single-use objects, such as ammunition supplies, missiles, bombs and the like delivered with the aid on weapon systems are considered as the military inventories. At the same time, some single-use items may ensure a permanent service of deterrence of aggressors, and thus can comply with the general criteria to be classified as fixed assets.

49. To solve this issue, the cooperation with the Ministry of Defence was needed. The working group on the SNA 2008 implementation discussed the question concerning the expenditure on weapon systems which are continuously used for the production of defence services. The next issue was about the consumption of fixed capital.

50. An agreement was reached on the provision of annual data on the expenditure on armament systems, on the quantity and costs of assets in the year of their purchase and their service life. But because this information is confidential, an additional agreement on the receiving of such information and its use for the calculation of national accounts indicators is required.

51. Also, for the improvement of national accounts statistics we have made experimental estimates of imputed rent by 'user-cost approach'. According to this approach the volume of housing services is estimated as a sum of all costs – of intermediate consumption, other taxes on production, consumption of fixed assets and net operating surplus.

52. We have already received experimental estimates of imputed rent of owner-occupied dwellings by user-cost approach for 2008-2012 and quarterly estimates for 2010-2012. The GDP changes will show an increase. However, the sources of data on land valuation under dwellings need to be reviewed.

53. It should further be mentioned that the National Bank of the Republic of Belarus carries out estimates in accordance with the 6th edition of the Balance of Payments Manual and within exports and imports reflects only the service of processing goods sent for processing abroad. Within the framework of the improvement of the SNA indicators the transactions with goods sent for processing abroad will be reflected in compliance with the SNA 2008.

C. Development prospects

54. Starting from January 2016 a new version of the classification of economic activities OKED 005-2011 will be introduced in the statistical practice of Belarus. This version is based on the classification of economic activities of the European Union NACE, rev. 2.0.

55. Taking into account emerging of new business patterns on the market and changes in the classification of institutional units, the national accounts indicators by sectors and subsectors will be compiled according to the SNA 2008.

56. Because the SNA 2008 includes the chapter on informal economy, and its aim is to ensure the full coverage of all economic activities in the SNA and to distinguish the

activities of informal sector within the household sector which is of interest for economic policy making, and also because the informal sector provides for a part of production in the country, the Strategy for the Development of State Statistics until 2017 includes certain activities for the improvement of the non-observed economy estimates.

57. In March 2014 a working group on the improvement of the non-observed economy estimates was established. The group includes subject-matter statisticians of Belstat and researchers.

58. Because we currently estimate the activities of insurance organisations on a consolidated basis, without singling out of reinsurer services, and in the SNA 2008 transactions between an insurer and reinsurer should be valued as a separate set of transactions, reinsurer services should be in future included in the intermediate consumption of the direct insurer.

59. It should be mentioned that the GDP time series revised on the basis of the experimental estimates in compliance with the SNA 2008 and the new OKED version will be published from 2010. The GDP estimates with account of the adopted improvements are planned to be made as from the quarters of 2016.